



Dave Yost • Auditor of State



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northmor Local School District  
Morrow County  
5247 County Road 29  
Galion, Ohio 44833

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmor Local School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmor Local School District, Morrow County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 29, 2016

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The management's discussion and analysis of Northmor Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$110,587 which represents a 2.67% increase from 2014 as restated in accordance with Note 3.A.
- General revenues accounted for \$11,665,643 in revenue or 83.95% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,230,870 or 16.05% of total revenues of \$13,896,513.
- The District had \$13,785,926 in expenses related to governmental activities; \$2,230,870 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,665,643 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$11,518,621 in revenues and \$11,245,262 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$273,359 from a fund balance of \$274,572 to fund balance of \$547,931.
- The bond retirement fund had \$1,161,097 in revenues and other financing sources and \$990,674 in expenditures. During fiscal year 2015, the bond retirement fund's fund balance increased \$170,423 from \$613,536 to \$783,959.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, and the bond retirement fund are the most significant funds and are considered major funds.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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(Continued)**

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds.

All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-60 of this report.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 61 through 67 of this report.

**The District as a Whole**

Recall that the statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 7,811,118	\$ 6,938,941
Capital assets, net	<u>30,203,863</u>	<u>30,845,239</u>
Total assets	<u>38,014,981</u>	<u>37,784,180</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>949,008</u>	<u>782,079</u>
Total deferred outflows of resources	<u>949,008</u>	<u>782,079</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,393,868	1,319,048
Long-term liabilities:		
Due within one year	585,125	491,470
Due in more than one year:		
Net pension liability	13,218,742	15,707,049
Other amounts	<u>13,753,499</u>	<u>14,251,266</u>
Total liabilities	<u>28,951,234</u>	<u>31,768,833</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	3,374,818	2,660,831
Pensions	<u>2,390,755</u>	<u>-</u>
Total deferred inflows of resources	<u>5,765,573</u>	<u>2,660,831</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	16,950,228	17,222,137
Restricted	1,583,795	1,708,209
Unrestricted (deficit)	<u>(14,286,841)</u>	<u>(14,793,751)</u>
Total net position	<u>\$ 4,247,182</u>	<u>\$ 4,136,595</u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$19,061,565 to \$4,136,595.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

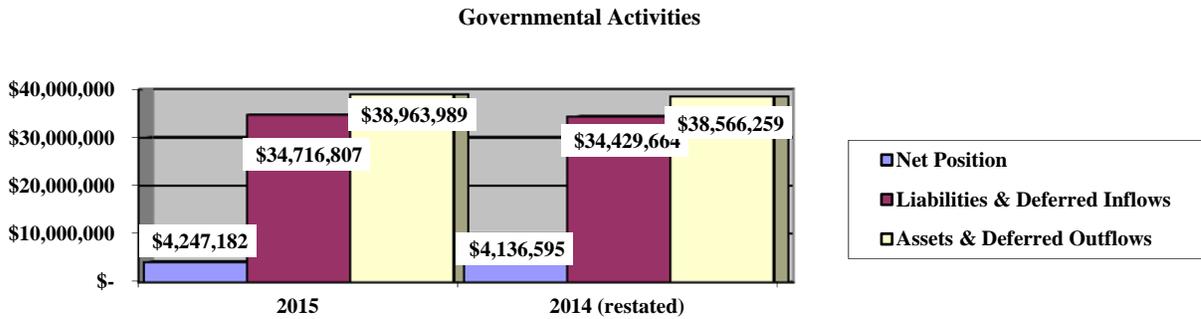
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$4,247,182. At fiscal year-end, unrestricted net position was a deficit of \$14,286,841.

At fiscal year-end, capital assets represented 79.45% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2015, was \$16,950,228. These capital assets are used to provide services to the students and are not available for future spending.

Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,583,795, represents resources that are subject to external restriction on how they may be used.

The graph below illustrates the District's assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2015 and 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.



The table below shows the change in net position for fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

**Change in Net Position**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 917,406	\$ 1,008,960
Operating grants and contributions	1,313,464	1,553,567
General revenues:		
Property taxes	4,531,822	4,195,896
Income taxes	1,478,371	1,448,185
Grants and entitlements	5,529,730	5,386,442
Investment earnings	2,388	2,472
Other	<u>123,332</u>	<u>53,508</u>
Total revenues	<u>13,896,513</u>	<u>13,649,030</u>

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

	Governmental Activities 2015	Governmental Activities 2014
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,052,842	\$ 5,227,642
Special	1,339,143	1,353,708
Vocational	132,044	159,349
Other	1,343,341	1,140,745
Support services:		
Pupil	477,283	351,537
Instructional staff	575,379	631,843
Board of education	28,950	15,075
Administration	971,439	1,120,642
Fiscal	438,564	442,715
Operations and maintenance	1,067,621	1,209,033
Pupil transportation	809,595	810,470
Central	165	600
Operation of non-instructional services:		
Other non-instructional services	8,883	841
Food service operations	524,210	460,759
Extracurricular activities	331,755	329,134
Interest and fiscal charges	684,712	686,512
Total expenses	13,785,926	13,940,605
Change in net position	110,587	(291,575)
Net position at beginning of year (restated)	4,136,595	N/A
Net position at end of year	\$ 4,247,182	\$ 4,136,595

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$782,079 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$559,960.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 13,785,926
Pension expense under GASB 68	(559,960)
2015 contractually required contributions	<u>824,441</u>
Adjusted 2015 program expenses	14,050,407
Total 2014 program expenses under GASB 27	<u>13,940,605</u>
Increase in program expenses not related to pension	<u>\$ 109,802</u>

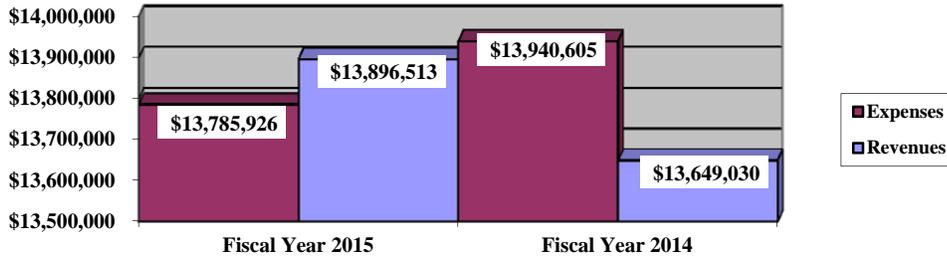
Net position of the District's governmental activities increased \$110,587. Total governmental expenses of \$13,785,926 were offset by program revenues of \$2,230,870 and general revenues of \$11,665,643. Program revenues supported 16.18% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted and restricted grants and entitlements. These revenue sources represent 83.04% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,867,370 or 57.07% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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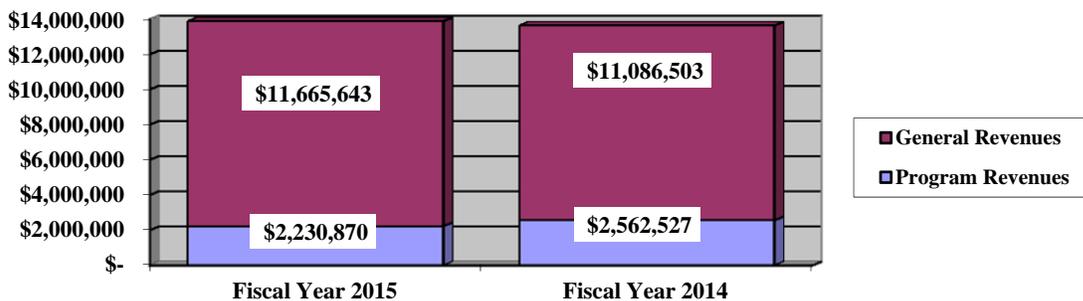
**Governmental Activities**

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,052,842	\$ 4,394,094	\$ 5,227,642	\$ 4,394,944
Special	1,339,143	523,561	1,353,708	429,183
Vocational	132,044	89,517	159,349	123,497
Other	1,343,341	1,343,341	1,140,745	1,140,745
Support services:				
Pupil	477,283	476,845	351,537	298,768
Instructional staff	575,379	550,966	631,843	587,562
Board of education	28,950	28,950	15,075	15,075
Administration	971,439	891,679	1,120,642	1,048,390
Fiscal	438,564	438,564	442,715	442,652
Operations and maintenance	1,067,621	1,064,021	1,209,033	1,200,209
Pupil transportation	809,595	800,501	810,470	793,365
Central	165	165	600	600
Operations of non-instructional services:				
Other non-instructional services	8,883	638	841	16
Food service operations	524,210	24,407	460,759	(6,862)
Extracurricular activities	331,755	243,095	329,134	223,422
Interest and fiscal charges	684,712	684,712	686,512	686,512
Total expenses	<u>\$ 13,785,926</u>	<u>\$ 11,555,056</u>	<u>\$ 13,940,605</u>	<u>\$ 11,378,078</u>

The dependence upon tax and other general revenues for governmental activities is apparent as 80.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.82%.

The District's taxpayers and unrestricted grants and entitlements, from the state are the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.

**Governmental Activities - General and Program Revenues**



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,399,053, which is higher than last year's total of \$2,318,562. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
General	\$ 473,400	\$ 274,572	\$ 198,828	72.41 %
Bond retirement	783,959	613,536	170,423	27.78 %
Other governmental	<u>1,141,694</u>	<u>1,430,454</u>	<u>(288,760)</u>	(20.19) %
Total	<u>\$ 2,399,053</u>	<u>\$ 2,318,562</u>	<u>\$ 80,491</u>	3.47 %

**General Fund**

The District's general fund balance increased \$198,828.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,877,564	\$ 4,584,469	\$ 293,095	6.39 %
Tuition	623,765	720,905	(97,140)	(13.47) %
Earnings on investments	2,388	2,478	(90)	(3.63) %
Intergovernmental	5,858,595	5,717,961	140,634	2.46 %
Other revenues	<u>156,309</u>	<u>97,265</u>	<u>59,044</u>	60.70 %
Total	<u>\$ 11,518,621</u>	<u>\$ 11,123,078</u>	<u>\$ 395,543</u>	3.56 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,655,799	\$ 6,368,980	\$ 286,819	4.50 %
Support services	4,339,189	4,230,477	108,712	2.57 %
Extracurricular activities	<u>239,459</u>	<u>223,310</u>	<u>16,149</u>	7.23 %
Total	<u>\$ 11,234,447</u>	<u>\$ 10,822,767</u>	<u>\$ 411,680</u>	3.80 %

Other revenues increased by \$59,044 or 60.70% during the fiscal year mainly due to increases in revenues from local sources. Tuition revenue decreased by \$97,140 or 13.47% from fiscal year 2014. This decrease is due to a reduction in open enrollment in fiscal year 2015.

Overall expenditures in the general fund increased \$411,680 or 3.80%. The largest increase was in the area of instructional activities of \$286,819. This increase can be attributed to the increase in wages and benefits.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

***Bond Retirement Fund***

The bond retirement fund had \$1,161,097 in revenues and other financing sources during fiscal year 2015. The bond retirement fund had \$990,674 in expenditures. During fiscal year 2015, the bond retirement fund's fund balance increased \$170,423 from a fund balance of \$613,536 to \$783,959.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2015, the District amended its general fund budget multiple times. For the general fund, original budgeted revenues were \$10,479,800 and final budgeted revenues were \$11,017,291. Actual revenues for fiscal year 2015 were \$11,319,840.

General fund original appropriations (appropriated expenditures) of \$10,752,715 were increased to \$11,389,046 in the final appropriations. The actual budget basis expenditures for fiscal year 2015 totaled \$11,244,724 which is \$144,322 lower than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the District had \$30,203,863 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2015 balances compared to June 30, 2014:

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Land	\$ 139,000	\$ 139,000
Land improvements	400,319	422,955
Building and improvements	28,627,805	29,304,320
Furniture and equipment	450,955	460,949
Vehicles	<u>585,784</u>	<u>518,015</u>
Total	<u>\$ 30,203,863</u>	<u>\$ 30,845,239</u>

The overall decrease in capital assets of \$641,376 is due to depreciation expense of \$861,158 exceeding capital additions of \$219,782 in the fiscal year.

See Note 8 to the basic financial statements for additional information.

***Debt Administration***

At June 30, 2015, the District had \$13,384,205 in general obligation bonds outstanding. Of this total, \$405,000 is due within one year and \$12,979,205 is due in more than one year.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

The following table summarizes the bonds outstanding.

**Outstanding Bond Debt, at Year End**

	Activities <u>2015</u>	Activities <u>2014</u>
Current interest bonds - Series 2008	\$ 12,620,000	\$ 12,975,000
Capital appreciation bonds - Series 2008	325,000	325,000
Accreted interest	<u>439,205</u>	<u>347,850</u>
Total	<u>\$ 13,384,205</u>	<u>\$ 13,647,850</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District has been able to use a very conservative financial approach. The District operates at the 20 mill floor and has an inside millage rate of 5.1. The District does benefit from a 1% income tax that was passed in 1992.

The Board and administration closely monitor expenditures to stay in line with the five-year financial forecast. Cuts to operating budgets and cuts in staffing throughout the District have been employed to avoid the need to seek additional money from the community. The Board and the administration have continued to monitor the State funding issue for schools.

The District continues to closely monitor income amounts. Property tax revenue estimates are based on historical growth patterns, including updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor. The property tax figures are based on historical collection levels. The Northmor Local School District is at the 20 mill floor. Property re-evaluations do directly impact the revenue. Estimates for income tax revenue are based on information provided by the department of taxation. The current tax rate is continuing. Current economic and employment conditions can substantially affect this amount. Revenue from State foundation payments is expected to remain consistent based on the current State formula, historical patterns are other indicators included in legislation. The property tax allocation is calculated as a fixed percentage of property tax receipts. The percentage is calculated as an average of this percentage from the prior three years. The growth in this revenue parallels the anticipated growth in property taxes. Revenues from all other sources are based on historical patterns, and a conservative approach has been taken.

The amounts for salaries and benefits are based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases have been used. Retirements or the lack thereof will affect this significantly. Anticipated expenditures in Purchased Services, Supplies and other are based on historical patterns. The District anticipates spending all reserve requirements. Capital outlay is based on historical patterns and a consideration of District growth and goals. Anticipated expenditures in Other, Advances and Transfers are based on historical patterns. Estimated encumbrances are based on historical patterns.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Tammi Cowell, Treasurer, Northmor Local School District, 5247 County Road 29, Galion, Ohio 44833.

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,053,187
Receivables:	
Property taxes . . . . .	5,111,876
Income taxes. . . . .	478,520
Accrued interest . . . . .	648
Intergovernmental . . . . .	138,721
Prepayments . . . . .	15,407
Materials and supplies inventory. . . . .	2,186
Inventory held for resale. . . . .	10,573
Capital assets:	
Nondepreciable capital assets . . . . .	139,000
Depreciable capital assets, net. . . . .	30,064,863
Capital assets, net . . . . .	30,203,863
Total assets. . . . .	38,014,981
 <b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	742,235
Pension - SERS . . . . .	206,773
Total deferred outflows of resources . . . . .	949,008
 <b>Liabilities:</b>	
Accounts payable. . . . .	61,726
Accrued wages and benefits . . . . .	1,033,916
Intergovernmental payable . . . . .	38,270
Pension and postemployment benefits payable. . . . .	160,501
Accrued interest payable . . . . .	99,455
Long-term liabilities:	
Due within one year. . . . .	585,125
Due in more than one year:	
Net pension liability . . . . .	13,218,742
Other amounts due in more than one year . . . . .	13,753,499
Total liabilities . . . . .	28,951,234
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,374,818
Pension - STRS. . . . .	1,999,224
Pension - SERS. . . . .	391,531
Total deferred inflows of resources . . . . .	5,765,573
 <b>Net position:</b>	
Net investment in capital assets . . . . .	16,950,228
Restricted for:	
Capital projects . . . . .	898,785
Classroom facilities maintenance . . . . .	169,735
Debt service. . . . .	340,313
Locally funded programs . . . . .	2,553
State funded programs. . . . .	18,915
Federally funded programs . . . . .	2,861
Student activities . . . . .	14,586
Food service. . . . .	136,047
Unrestricted (deficit) . . . . .	(14,286,841)
Total net position. . . . .	\$ 4,247,182

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,052,842	\$ 621,814	\$ 36,934	\$ (4,394,094)
Special . . . . .	1,339,143	20,779	794,803	(523,561)
Vocational . . . . .	132,044	-	42,527	(89,517)
Other . . . . .	1,343,341	-	-	(1,343,341)
Support services:				
Pupil . . . . .	477,283	-	438	(476,845)
Instructional staff . . . . .	575,379	-	24,413	(550,966)
Board of education . . . . .	28,950	-	-	(28,950)
Administration . . . . .	971,439	-	79,760	(891,679)
Fiscal . . . . .	438,564	-	-	(438,564)
Operations and maintenance . . . . .	1,067,621	-	3,600	(1,064,021)
Pupil transportation . . . . .	809,595	-	9,094	(800,501)
Central . . . . .	165	-	-	(165)
Operation of non-instructional services:				
Other non-instructional services . . . . .	8,883	-	8,245	(638)
Food service operations . . . . .	524,210	186,153	313,650	(24,407)
Extracurricular activities . . . . .	331,755	88,660	-	(243,095)
Interest and fiscal charges . . . . .	684,712	-	-	(684,712)
<b>Total governmental activities . . . . .</b>	<b>\$ 13,785,926</b>	<b>\$ 917,406</b>	<b>\$ 1,313,464</b>	<b>(11,555,056)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	3,384,822
Debt service . . . . .	1,015,713
Capital outlay . . . . .	33,661
Special revenue . . . . .	97,626
Income taxes levied for:	
General purposes . . . . .	1,478,371
Grants and entitlements not restricted to specific programs . . . . .	
	5,529,730
Investment earnings . . . . .	2,388
Miscellaneous . . . . .	123,332
<b>Total general revenues . . . . .</b>	<b>11,665,643</b>
Change in net position . . . . .	110,587
<b>Net position at beginning of year (restated) . . . . .</b>	<b>4,136,595</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 4,247,182</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 302,120	\$ 510,196	\$ 1,240,871	\$ 2,053,187
<b>Receivables:</b>				
Property taxes . . . . .	3,874,420	1,079,014	158,442	5,111,876
Income taxes . . . . .	478,520	-	-	478,520
Accrued interest . . . . .	648	-	-	648
Interfund loans . . . . .	78,963	-	-	78,963
Intergovernmental . . . . .	63,478	-	75,243	138,721
Prepayments . . . . .	15,407	-	-	15,407
Materials and supplies inventory . . . . .	1,813	-	373	2,186
Inventory held for resale . . . . .	-	-	10,573	10,573
<b>Total assets . . . . .</b>	<u>\$ 4,815,369</u>	<u>\$ 1,589,210</u>	<u>\$ 1,485,502</u>	<u>\$ 7,890,081</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 44,849	\$ -	\$ 16,877	\$ 61,726
Accrued wages and benefits . . . . .	928,575	-	105,341	1,033,916
Compensated absences payable . . . . .	148,330	-	-	148,330
Intergovernmental payable . . . . .	33,382	-	4,888	38,270
Pension and postemployment benefits payable . . . . .	143,494	-	17,007	160,501
Interfund loans payable . . . . .	-	-	78,963	78,963
<b>Total liabilities . . . . .</b>	<u>1,298,630</u>	<u>-</u>	<u>223,076</u>	<u>1,521,706</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	2,559,291	710,237	105,290	3,374,818
Delinquent property tax revenue not available . . . . .	423,720	95,014	15,442	534,176
Intergovernmental revenue not available . . . . .	60,328	-	-	60,328
<b>Total deferred inflows of resources . . . . .</b>	<u>3,043,339</u>	<u>805,251</u>	<u>120,732</u>	<u>3,969,322</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory . . . . .	1,813	-	373	2,186
Prepays . . . . .	15,407	-	-	15,407
Unclaimed monies . . . . .	27,009	-	-	27,009
<b>Restricted:</b>				
Debt service . . . . .	-	783,959	-	783,959
Capital improvements . . . . .	-	-	890,342	890,342
Classroom facilities maintenance . . . . .	-	-	167,499	167,499
Food service operations . . . . .	-	-	144,590	144,590
Vocational education . . . . .	-	-	226	226
Other purposes . . . . .	-	-	24,103	24,103
Extracurricular . . . . .	-	-	14,586	14,586
<b>Assigned:</b>				
Student instruction . . . . .	7,147	-	-	7,147
Student and staff support . . . . .	23,998	-	-	23,998
Public school support . . . . .	4,888	-	-	4,888
Other purposes . . . . .	120	-	-	120
Unassigned (deficit) . . . . .	393,018	-	(100,025)	292,993
<b>Total fund balances . . . . .</b>	<u>473,400</u>	<u>783,959</u>	<u>1,141,694</u>	<u>2,399,053</u>
<b>Total liabilities, deferred inflows and fund balances . . . . .</b>	<u>\$ 4,815,369</u>	<u>\$ 1,589,210</u>	<u>\$ 1,485,502</u>	<u>\$ 7,890,081</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015**

<b>Total governmental fund balances</b>		\$ 2,399,053
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,203,863
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 534,176	
Intergovernmental receivable	60,328	
Total		594,504
Unamortized premiums on bonds issued are not recognized in the funds.		(308,635)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(99,455)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(13,384,205)	
Compensated absences	(497,454)	
Total		(13,881,659)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	949,008	
Deferred inflows - pension	(2,390,755)	
Net pension liability	(13,218,742)	
Total		(14,660,489)
<b>Net position of governmental activities</b>		<b>\$ 4,247,182</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,399,193	\$ 1,018,938	\$ 131,890	\$ 4,550,021
Income taxes . . . . .	1,478,371	-	-	1,478,371
Tuition . . . . .	623,765	-	-	623,765
Earnings on investments . . . . .	2,388	-	16	2,404
Charges for services . . . . .	-	-	186,153	186,153
Extracurricular . . . . .	14,149	-	74,511	88,660
Classroom materials and fees . . . . .	18,828	-	-	18,828
Rental income . . . . .	115	-	-	115
Other local revenues . . . . .	123,217	-	-	123,217
Intergovernmental - state . . . . .	5,776,259	88,230	9,255	5,873,744
Intergovernmental - federal . . . . .	82,336	-	930,255	1,012,591
Total revenues . . . . .	<u>11,518,621</u>	<u>1,107,168</u>	<u>1,332,080</u>	<u>13,957,869</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,256,029	-	291,555	4,547,584
Special . . . . .	913,839	-	456,191	1,370,030
Vocational . . . . .	142,934	-	-	142,934
Other . . . . .	1,342,997	-	344	1,343,341
Support services:				
Pupil . . . . .	484,566	-	2,168	486,734
Instructional staff . . . . .	546,816	-	55,687	602,503
Board of education . . . . .	29,255	-	-	29,255
Administration . . . . .	976,088	-	81,512	1,057,600
Fiscal . . . . .	425,150	25,655	3,695	454,500
Operations and maintenance . . . . .	1,093,100	-	72,639	1,165,739
Pupil transportation . . . . .	784,049	-	92,839	876,888
Central . . . . .	165	-	-	165
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	-	8,883	8,883
Food service operations . . . . .	-	-	509,537	509,537
Extracurricular activities . . . . .	239,459	-	73,198	312,657
Facilities acquisition and construction . . . . .	-	-	4,009	4,009
Debt service:				
Principal retirement . . . . .	-	355,000	-	355,000
Interest and fiscal charges . . . . .	-	610,019	-	610,019
Total expenditures . . . . .	<u>11,234,447</u>	<u>990,674</u>	<u>1,652,257</u>	<u>13,877,378</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>284,174</u>	<u>116,494</u>	<u>(320,177)</u>	<u>80,491</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	53,929	31,417	85,346
Transfers (out) . . . . .	<u>(85,346)</u>	-	-	<u>(85,346)</u>
Total other financing sources (uses) . . . . .	<u>(85,346)</u>	<u>53,929</u>	<u>31,417</u>	<u>-</u>
Net change in fund balances . . . . .	198,828	170,423	(288,760)	80,491
<b>Fund balances at beginning of year . . . . .</b>	<u>274,572</u>	<u>613,536</u>	<u>1,430,454</u>	<u>2,318,562</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 473,400</u>	<u>\$ 783,959</u>	<u>\$ 1,141,694</u>	<u>\$ 2,399,053</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Net change in fund balances - total governmental funds</b>	\$	80,491
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 219,782	
Current year depreciation	(861,158)	
Total		(641,376)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(18,199)	
Intergovernmental	(39,594)	
Total		(57,793)
 Principal payment on bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		355,000
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	2,195	
Accreted interest on capital appreciation bonds	(91,355)	
Amortization of bond premiums	14,467	
Total		(74,693)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		184,477
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		824,441
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(559,960)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>110,587</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,037,941	\$ 3,182,209	\$ 3,281,457	\$ 99,248
Income taxes. . . . .	1,387,326	1,453,209	1,498,531	45,322
Tuition. . . . .	577,476	733,135	623,765	(109,370)
Earnings on investments . . . . .	2,086	1,832	2,253	421
Classroom materials and fees . . . . .	17,431	19,322	18,828	(494)
Rental income . . . . .	106	197	115	(82)
Other local revenues . . . . .	114,073	120,273	123,217	2,944
Intergovernmental - state . . . . .	5,267,135	5,429,604	5,689,338	259,734
Intergovernmental - federal . . . . .	76,226	77,510	82,336	4,826
Total revenues . . . . .	<u>10,479,800</u>	<u>11,017,291</u>	<u>11,319,840</u>	<u>302,549</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,917,618	4,387,292	4,177,091	210,201
Special. . . . .	821,966	961,044	909,874	51,170
Vocational. . . . .	173,730	154,722	155,619	(897)
Other. . . . .	674,601	1,215,350	1,350,112	(134,762)
Support services:				
Pupil. . . . .	293,980	396,344	481,974	(85,630)
Instructional staff . . . . .	478,924	537,188	520,000	17,188
Board of education . . . . .	15,506	25,784	25,971	(187)
Administration. . . . .	1,120,689	1,047,303	1,050,123	(2,820)
Fiscal . . . . .	368,617	460,348	431,120	29,228
Operations and maintenance. . . . .	859,434	1,102,731	987,447	115,284
Pupil transportation . . . . .	766,801	790,384	770,593	19,791
Central. . . . .	352	600	165	435
Extracurricular activities. . . . .	260,497	224,610	220,326	4,284
Total expenditures . . . . .	<u>10,752,715</u>	<u>11,303,700</u>	<u>11,080,415</u>	<u>223,285</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(272,915)</u>	<u>(286,409)</u>	<u>239,425</u>	<u>525,834</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	-	(85,346)	(85,346)	-
Advances (out) . . . . .	-	-	(78,963)	(78,963)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>(85,346)</u>	<u>(164,309)</u>	<u>(78,963)</u>
Net change in fund balance . . . . .	(272,915)	(371,755)	75,116	446,871
<b>Fund balance at beginning of year . . . . .</b>	179,594	179,594	179,594	-
<b>Prior year encumbrances appropriated . . . . .</b>	16,855	16,855	16,855	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ (76,466)</u>	<u>\$ (175,306)</u>	<u>\$ 271,565</u>	<u>\$ 446,871</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 5,286	\$ 18,509
Total assets. . . . .	5,286	\$ 18,509
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 464
Due to students. . . . .	-	18,045
Total liabilities . . . . .	-	\$ 18,509
<b>Net position:</b>		
Held in trust for scholarships . . . . .	5,286	
Total net position. . . . .	\$ 5,286	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
	Scholarship
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 400
 <b>Deductions:</b>	
Scholarships awarded . . . . .	600
Change in net position . . . . .	(200)
<b>Net position at beginning of year. . . . .</b>	<b>5,486</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 5,286</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Northmor Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

Current enrollment as of June 30, 2015 was 850. The District employed 84 certified employees and 37 noncertified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2015, the District paid \$85,357 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

*RELATED ENTITY*

Perry Cook Memorial Library (the "Library")

The District appoints the governing board of the Library, however, the District cannot influence the Library's operation nor does the Library represent a potential financial benefit for or burden on the District. The District serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the District must place the levy on the ballot. The Library may not issue debt. The Library did not receive any funding from the District during 2015.

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond retirement fund* - The bond retirement fund is used to account for financial resources and expenditures restricted for principal and interest for general obligation bonds.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the period in which the income is earned (See Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, is not recognized in governmental funds.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2015 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination. The Morrow County Commissioners waived this requirement for 2015.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2015.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for the general fund.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposits, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$2,388, which includes \$1,975 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	45 years
Furniture and equipment	5 - 15 years
Vehicles	6 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net position.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or older with ten or more years of service or all employees with twenty or more years of service regardless of their age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Bond Premiums**

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had neither item during fiscal year 2015.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 13 to the financial statements, and added required supplementary information which is presented on pages 60 - 66.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 19,061,565
Deferred outflows - payments subsequent to measurement date	782,079
Net pension liability	(15,707,049)
Restated net position at July 1, 2014	\$ 4,136,595

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 11,247
IDEA, Part B	26,787
Title I	34,085
Improving teacher quality	19,597
Miscellaneous federal grants	8,309

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$150 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$2,034,832. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$1,814,507 of the District’s bank balance of \$2,067,510 was exposed to custodial risk as discussed below, while \$253,003 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 42,000	\$ 42,000
Total	\$ 42,000	\$ 42,000

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the district to only invest in securities authorized by State Statute.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 42,000	100.00
Total	<u>\$ 42,000</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 2,034,832	
Investments	42,000	
Cash on hand	<u>150</u>	
Total	<u>\$ 2,076,982</u>	
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$ 2,053,187	
Private-purpose trust funds	5,286	
Agency funds	<u>18,509</u>	
Total	<u>\$ 2,076,982</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2015 as reported on the fund statements consist of the following due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 78,963</u>

The primary purpose of the interfund balances is to cover cost in the specific nonmajor governmental funds where revenues were not received by June 30. These interfund balances are expected to be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

B. Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Bond retirement fund	\$ 53,929
General fund	Nonmajor governmental funds	31,417
		<u>\$ 85,346</u>

Transfers were made to move resources to the bond retirement fund and the permanent improvement fund (a nonmajor governmental fund). Transfers were made in compliance with Ohio Revised Code Section 5705.14. Interfund transfers between governmental funds are eliminated on the statement of activities.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Marion, Richland, and Morrow Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$891,409 in the general fund, \$273,763 in the bond retirement fund, \$20,562 in the permanent improvement fund (a nonmajor governmental fund) and \$17,148 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$774,945 in the general fund, \$237,874 in the bond retirement fund and \$36,350 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 160,205,050	94.92	\$ 178,208,100	94.54
Public utility personal	<u>8,570,830</u>	<u>5.08</u>	<u>10,299,890</u>	<u>5.46</u>
Total	<u>\$ 168,775,880</u>	<u>100.00</u>	<u>\$ 188,507,990</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.54		\$ 31.09	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 5,111,876
Income taxes	478,520
Intergovernmental	138,721
Accrued interest	<u>648</u>
Total	<u>\$ 5,729,765</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/15</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,000	\$ -	\$ -	\$ 139,000
Total capital assets, not being depreciated	<u>139,000</u>	<u>-</u>	<u>-</u>	<u>139,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	591,716	-	-	591,716
Buildings and improvements	31,250,515	-	-	31,250,515
Furniture and equipment	745,818	49,186	-	795,004
Vehicles	1,488,669	170,596	-	1,659,265
Total capital assets, being depreciated	<u>34,076,718</u>	<u>219,782</u>	<u>-</u>	<u>34,296,500</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(168,761)	(22,636)	-	(191,397)
Buildings and improvements	(1,946,195)	(676,515)	-	(2,622,710)
Furniture and equipment	(284,869)	(59,180)	-	(344,049)
Vehicles	(970,654)	(102,827)	-	(1,073,481)
Total accumulated depreciation	<u>(3,370,479)</u>	<u>(861,158)</u>	<u>-</u>	<u>(4,231,637)</u>
Governmental activities capital assets, net	<u>\$ 30,845,239</u>	<u>\$ (641,376)</u>	<u>\$ -</u>	<u>\$ 30,203,863</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 770,270
Vocational	348

Support services:

Administration	1,571
Operations and maintenance	19,168
Pupil transportation	23,165
Extracurricular activities	27,907
Food service operations	<u>18,729</u>

Total depreciation expense \$ 861,158

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

Governmental activities:	Restated			Balance	Amounts
	Balance			Outstanding	Due in
	Outstanding	Additions	Reductions	June 30, 2015	One Year
	<u>June 30, 2014</u>			<u>June 30, 2015</u>	<u>One Year</u>
General obligation bonds	\$ 13,647,850	\$ 91,355	\$ (355,000)	\$ 13,384,205	\$ 405,000
Net pension liability	15,707,049	-	(2,488,307)	13,218,742	-
Compensated absences	<u>771,784</u>	<u>31,795</u>	<u>(157,795)</u>	<u>645,784</u>	<u>180,125</u>
Total governmental activities	<u>\$ 30,126,683</u>	<u>\$ 123,150</u>	<u>\$ (3,001,102)</u>	27,248,731	<u>\$ 585,125</u>
Add: Unamortized premium on bonds				<u>308,635</u>	
Total				<u>\$ 27,557,366</u>	

B. General Obligation Bonds - Series 2008: On August, 14, 2008, the District issued Series 2008 construction bonds to finance building construction and improvements in accordance with the terms of a facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of one new facility to house K-12 and to demolish Iberia and Johnsville elementary schools as well as Northmor Jr/Sr High School. The Series 2008 Construction bonds consist of current interest serial bonds in the amount of \$4,395,000, current interest term bonds in the amount of \$9,780,000 and capital appreciation bonds in the amount of \$325,000. The current interest serial bonds bear interest rates ranging from 3.25% to 5% and mature on November 1, 2023. The current interest term bonds bear interest rates ranging from 4.75% to 5% and mature on November 1, 2036. The capital appreciation bonds have effective interest rates ranging from 4.76% to 5.00% and mature on November 1, 2020, 2021 and 2022. The accreted value at maturity for the capital appreciation bonds is \$1,530,000. Total accreted interest of \$439,205 has been included in the statement of net position at June 30, 2015.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of the facilities grant from OSFC. The project has been completed and the total cost of the Construction Project was \$33,346,611, of which OSFC paid \$20,411,919.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on May 1 and November 1 each year. The final maturity stated in the issue is during fiscal year 2037.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2015 on the 2008 series bonds:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Current interest bonds -				
2008 Series	\$ 12,975,000	\$ -	\$ (355,000)	\$ 12,620,000
Capital appreciation bonds -				
2008 Series	325,000	-	-	325,000
Capital appreciation bonds -				
Accreted Interest	<u>347,850</u>	<u>91,355</u>	<u>-</u>	<u>439,205</u>
<b>Total</b>	<u><b>\$ 13,647,850</b></u>	<u><b>\$ 91,355</b></u>	<u><b>\$ (355,000)</b></u>	<u><b>\$ 13,384,205</b></u>

The following is a summary of the future debt service requirements to maturity for the 2008 series bonds:

Fiscal Year Ending June 30,	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 405,000	\$ 595,768	\$ 1,000,768	\$ -	\$ -	\$ -
2017	435,000	579,475	1,014,475	-	-	-
2018	470,000	561,375	1,031,375	-	-	-
2019	485,000	539,850	1,024,850	-	-	-
2020	-	137,725	137,725	120,000	390,000	510,000
2021 - 2025	1,605,000	1,718,430	3,323,430	205,000	815,000	1,020,000
2026 - 2030	3,210,000	1,905,871	5,115,871	-	-	-
2031 - 2035	4,080,000	1,012,000	5,092,000	-	-	-
2036 - 2037	<u>1,930,000</u>	<u>97,750</u>	<u>2,027,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><b>\$ 12,620,000</b></u>	<u><b>\$ 7,148,244</b></u>	<u><b>\$ 19,768,244</b></u>	<u><b>\$ 325,000</b></u>	<u><b>\$ 1,205,000</b></u>	<u><b>\$ 1,530,000</b></u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$4,779,678 (including available funds of \$783,959) and an unvoted debt margin of \$188,508.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 10 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax effective June 2, 1992. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2015 was \$1,478,371.

**NOTE 11 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given five to twenty-five days of vacation per year by contract. Administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment.

Administrators, teachers, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days. Upon retirement, payment is made for 30% of the total sick leave accumulation up to a maximum of seventy-five days.

Compensated absences will be paid from the fund from which the employee is paid, which primarily are the general fund and food service fund (a nonmajor governmental fund).

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, the District retained property insurance coverage, underwritten by Netherlands Insurance, a Division of Liberty Mutual Insurance, in the blanket amount of \$41,709,905 with 100% coinsurance, replacement cost and agreed amount endorsement and a \$2,500 deductible. Boiler and machinery coverage is provided within the property coverage and limits. The District also has inland marine floaters in the amount of \$116,003 with a \$500 deductible for coverage of audio visual equipment, musical instruments, band uniforms, mobile maintenance equipment and miscellaneous property.

Vehicles are covered by Netherlands Insurance and hold a \$1,000 deductible for claims related to collision and a comprehensive deductible of \$250. Automobile liability has a \$1,000,000 combined single limit of liability.

Indiana Insurance is the Division of Liberty Mutual Insurance Group which provides Excess Umbrella Liability coverage in the amount of \$2,000,000 written over the underlying limit of \$1,000,000 applicable to each of the following: Commercial, General Liability, Auto Liability, Employee Benefits Liability, School Leaders Errors and Omissions Liability, Sexual Misconduct/Molestation Liability, and Employers Stop Gap Liability. Each of the sub limit liability coverages have applicable aggregate limits ranging from \$1,000,000 to \$3,000,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance from the prior year.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Employee Group Life, Medical, Dental, and Vision Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees in the amount of \$35,000 for certified and classified employees.

The District has elected to provide a comprehensive medical benefits package to the employees through Medical Mutual of Ohio. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible in network and \$200 single and \$400 family non-network. Included in the plan is a prescription drug card with a \$10/25/40 per prescription deductible for PCS drugs and a \$20/50/80 per prescription deductible for mail-order 3 month supply of drugs. The total monthly premium for the medical and prescription drug plan is \$500 for single coverage and \$1,000 for family coverage which is paid out of the same fund that pays the salary for the employee. The employee pays 15% of the medical premium, while the District pays the remaining 85% of the medical premium and 100% of the Dental/Vision prescription drug premiums.

The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations.

The District provides dental coverage for its employees with a \$25 deductible per person, or \$50 deductible for a family. The total monthly premium for this dental coverage is \$42.10 for single and \$108.22 for family coverage.

The District also provides vision coverage for its employees with no deductible coverage. The total monthly premium is \$20.74 for single or family coverage.

The above employee portions of premiums for medical, dental and vision insurance are for full-time employees.

**C. Workers' Compensation Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Comp Management provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**D. Employee Dishonesty Bonds**

The District also carries a blanket employee dishonesty bond in the amount of \$10,000 per loss (\$50,000 for the treasurer) and a \$250 deductible with a faithful performance endorsement.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Plan Description - School Employees Retirement System (SERS)*

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$186,241 for fiscal year 2015. Of this amount \$17,350 is reported as pension and postemployment benefits payable.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Plan Description - State Teachers Retirement System (STRS)*

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$638,200 for fiscal year 2015. Of this amount, \$102,616 is reported as pension and postemployment benefits payable/intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,412,349	\$ 10,806,393	\$ 13,218,742
Proportion of the net pension liability	0.04766600%	0.04442786%	
Pension expense	\$ 140,774	\$ 419,186	\$ 559,960

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 20,532	\$ 104,035	\$ 124,567
District contributions subsequent to the measurement date	<u>186,241</u>	<u>638,200</u>	<u>824,441</u>
Total deferred outflows of resources	<u>\$ 206,773</u>	<u>\$ 742,235</u>	<u>\$ 949,008</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 391,531</u>	<u>\$ 1,999,224</u>	<u>\$ 2,390,755</u>
Total deferred inflows of resources	<u>\$ 391,531</u>	<u>\$ 1,999,224</u>	<u>\$ 2,390,755</u>

\$824,441 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (92,750)	\$ (473,797)	\$ (566,547)
2017	(92,750)	(473,797)	(566,547)
2018	(92,750)	(473,797)	(566,547)
2019	<u>(92,749)</u>	<u>(473,798)</u>	<u>(566,547)</u>
Total	<u>\$ (370,999)</u>	<u>\$ (1,895,189)</u>	<u>\$ (2,266,188)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	<u>7.50</u>
 Total	 <u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 3,441,705	\$ 2,412,349	\$ 1,546,572

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,470,530	\$ 10,806,393	\$ 6,862,103

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$24,402.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$35,687, \$25,592, and \$24,091, respectively. For fiscal year 2015, 91.67 percent has been contributed, with the balance being reported as pension and postemployment benefits payable/intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System**

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$47,276, and \$48,298 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 75,116
Net adjustment for revenue accruals	184,632
Net adjustment for expenditure accruals	(211,750)
Net adjustment for other sources/uses	78,963
Funds budgeted elsewhere	(3,122)
Adjustment for encumbrances	74,989
GAAP basis	\$ 198,828

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, unclaimed monies, and the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no other material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	194,999
Current year qualifying expenditures	<u>(324,193)</u>
Total	<u>\$ (129,194)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u><u>\$ -</u></u>

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 31,445
Other governmental	<u>8,333</u>
Total	<u><u>\$ 39,778</u></u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**LAST TWO FISCAL YEARS**

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.04766600%	0.04766600%
District's proportionate share of the net pension liability	\$ 2,412,349	\$ 2,834,544
District's covered-employee payroll	\$ 1,385,065	\$ 1,262,645
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	224.49%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TWO FISCAL YEARS**

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.04442786%	0.04442786%
District's proportionate share of the net pension liability	\$ 10,806,393	\$ 12,872,505
District's covered-employee payroll	\$ 4,539,300	\$ 4,829,785
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	266.52%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 186,241	\$ 191,970	\$ 174,750	\$ 182,422
Contributions in relation to the contractually required contribution	<u>(186,241)</u>	<u>(191,970)</u>	<u>(174,750)</u>	<u>(182,422)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,413,058	\$ 1,385,065	\$ 1,262,645	\$ 1,356,297
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 161,111	\$ 167,019	\$ 121,141	\$ 117,201	\$ 123,965	\$ 116,961
<u>(161,111)</u>	<u>(167,019)</u>	<u>(121,141)</u>	<u>(117,201)</u>	<u>(123,965)</u>	<u>(116,961)</u>
<u>\$ -</u>					
\$ 1,281,710	\$ 1,233,523	\$ 1,231,108	\$ 1,193,493	\$ 1,160,721	\$ 1,105,491
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 638,200	\$ 590,109	\$ 627,872	\$ 676,845
Contributions in relation to the contractually required contribution	<u>(638,200)</u>	<u>(590,109)</u>	<u>(627,872)</u>	<u>(676,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,558,571	\$ 4,539,300	\$ 4,829,785	\$ 5,206,500
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 685,083	\$ 665,873	\$ 646,231	\$ 632,878	\$ 616,607	\$ 572,537
<u>(685,083)</u>	<u>(665,873)</u>	<u>(646,231)</u>	<u>(632,878)</u>	<u>(616,607)</u>	<u>(572,537)</u>
<u>\$ -</u>					
\$ 5,269,869	\$ 5,122,100	\$ 4,971,008	\$ 4,868,292	\$ 4,743,131	\$ 4,404,131
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 25,548	\$ 25,548
Cash Assistance:			
School Breakfast Program	10.553	78,096	78,096
National School Lunch Program	10.555	204,334	204,334
Total Child Nutrition Cluster		<u>307,978</u>	<u>307,978</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>307,978</u></b>	<b><u>307,978</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	376,608	371,691
Special Education Cluster:			
Special Education-Grants to States	84.027	193,228	194,939
Special Education-Preschool Grants	84.173	2,221	2,221
Total Special Education Cluster		<u>195,449</u>	<u>197,160</u>
Twenty-First Century Community Learning Centers	84.287	13,033	12,378
Rural Education	84.358	-	13,678
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	13,817	13,902
Improving Teacher Quality State Grants	84.367	53,180	67,275
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>652,087</u></b>	<b><u>676,084</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 960,065</u></b>	<b><u>\$ 984,062</u></b>

*The accompanying notes are an integral part of this schedule.*

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Northmor Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northmor Local School District  
Morrow County  
5247 County Road 29  
Galion, Ohio 44833

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmor Local School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 29, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Northmor Local School District  
Morrow County  
5247 County Road 29  
Galion, Ohio 44833

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Northmor Local School District's, Morrow County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Northmor Local School District, Morrow County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

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***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 29, 2016

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 – Title I Grants to Local Education Agencies  <u>Child Nutrition Cluster:</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Noncompliance – Maintenance Fund**

**Section IV(B) of the Classroom Facilities Assistance Program Project Agreement** (the “Project Agreement”) between the Ohio School Facilities Commission (the “Commission”) and the District states that the District shall submit to the Commission for approval a plan for the preventative maintenance of each completed facility according to procedures specified by the Commission. The District acknowledges that: 1) allowable uses for the maintenance fund shall be the maintenance and repair of the completed facilities, including preventative maintenance, periodic repairs, and the replacement of facility components; 2) that routine janitorial and utility costs, equipment supplies and personnel associated with the day-to-day housekeeping and site upkeep per normal and customary standards are not allowable expenditures under the parameters of the maintenance plan; and 3) that the actual use of the maintenance fund, according to the terms of the approved Maintenance Plan, is subject to audit.

During fiscal year 2015, the District charged 100 percent of the Maintenance Supervisor’s salary and benefits (\$74,531) to the Maintenance Fund. However, the District was unable to provide support for time spent on allowable items included in the Maintenance Plan versus time spent on unallowable day-to-day housekeeping and site upkeep per normal and customary standards.

The District has agreed to, and has posted adjustments in the financial statements and accounting ledgers to record \$74,531 in salaries and wages in the General Fund rather than the Maintenance Fund.

We recommend the District closely monitor the Maintenance Fund to ensure the items charged to the fund are in accordance with the Maintenance Plan.

**Officials’ Response:**

The Treasurer has posted the adjustment for FY15 of \$74,531 (Maintenance Salary & Benefits) to the General Fund (001) instead of the Maintenance Fund (034). The Treasurer will charge these salaries and benefits to the proper account going forward and will closely monitor the Maintenance Fund to ensure items charged to this fund are in accordance with the Maintenance Plan.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

None

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Material Noncompliance / Material Weakness – Maintenance Fund	No	Not Corrected; Reissued as Finding 2015-001.
2014-002	Material Noncompliance – Federal Awards Receipts and Expenditures Schedule	No	Partially Corrected. Comment is being repeated in the current audit management letter.

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# Dave Yost • Auditor of State

**NORTHMOR LOCAL SCHOOL DISTRICT**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 24, 2016**